

EXECUTIVE SUMMARY

The Quarterly Budget Report provides the Board of Supervisors, County departments, members of the public, and other interested parties with an overview of the current status of revenues, expenditures, Net County Cost (NCC), total budgeted positions and various departmental issues requiring recommended changes to the County's budget. The Executive Summary provides information at a summary level. Detailed information is provided following the Executive Summary.

Revenue

Year-to-date revenues are measured against a budget plan modeled after last year's actual receipts. Overall, total County revenues are 8% below budget, which is offset by an 18% under run in expenditures. General Fund total revenues are 14.5% above budget. The overall revenue variance is predominately due to the timing of revenue receipts compared to the prior fiscal year, and the timing of project completion and subsequent reimbursement for costs. Detailed variance explanations are provided in the Revenue section of the report for those agencies/funds with variances greater than 10% and \$100,000, or greater than \$1,000,000. All significant unfavorable variances are researched and, where necessary, the responsible department and the County Executive Office (CEO) develop corrective action plans to address those variances.

General Purpose revenues are \$40 million, or 14%, above budget. This variance is due to higher than anticipated property tax revenue. Public Safety Sales Tax is \$9.9 million, or 7%, above budget. Health and Welfare Realignment Revenues are \$8 million, or 5%, above budget.

Expense

Year-to-date expenditures/encumbrances are measured against a budget plan modeled after last year's actual. Overall, total County expenditures/encumbrances are about 18% under budget. This variance is predominately due to the timing of encumbrances/expenditures compared to the prior fiscal year, higher than budgeted vacancy factors, and the deferral/timing of various projects. Variance explanations are provided in the Expense section of the report for those agencies/funds with variances greater than 10% and \$100,000, or greater than \$1,000,000. All significant unfavorable variances are researched and, where necessary, the responsible department and the CEO develop corrective action plans to address those variances. Provided in the Expense section of this report is detail of actual salary and benefit, services and supplies, and fixed asset expenditures for each applicable fund/agency.

Net County Cost

Net County Cost (NCC) is \$40 million or 6% above budget due to a combination of higher than anticipated expenditures and lower than anticipated revenue receipts, predominately due to timing. NCC departmental requests recommended for approval in this report total \$1.9 million. Details of these requests are provided in the Budget Issues section.

Cash and Reserves

Overall, total County cash balances are 3.7% lower than 12 months ago. Of special note is a decrease in the General Fund cash from 12 months ago due to the \$87.7 million prepayment to OCERS in July, and a decrease in Fund 14V cash due to the use of \$116 million for the bankruptcy debt refinancing, also in July. The six-month net increase to reserves is predominately attributable to increases in reserves approved in the First Quarter Budget Report and subsequently booked during the second and third quarters.

Budget Issues

This report contains recommended budget changes related to a variety of departmental issues including recognition of grant funds, position changes, capital project requests, establishment of operating transfers, reserve changes, and closure of various funds. Also included in the Budget Issues section is an update to the Grant Survey requested by the Board during the FY 2005-06 Budget Hearings.

Positions

A new policy regarding long-term vacant positions became effective with the First Quarter Budget Report. The policy recognizes that a higher number of vacant positions is the natural result of the hiring freeze and other financial planning efforts. As such, the CEO has continued the existing quarterly review of vacant and expiring limited-term positions. In addition, a new requirement was implemented whereby any department requesting a new position shall also delete an offsetting long-term vacant position. Long-term is defined as any position vacant for 12 months or longer. The new position, consistent with any augmentation request, is still subject to a needs assessment and shall include outcome indicators. While this policy was effective with the First Quarter Budget Report, the CEO continues to consider department head input regarding the policy. Details of this quarter's position adds and deletes can be found in the Budget Issues and Human Resources Issues sections.